

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2015

Docket No. ACR2015

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 7-11 OF CHAIRMAN'S INFORMATION REQUEST NO. 9

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 9, issued on February 4, 2016. Each question is stated verbatim and followed by the response. Responses to the other questions were filed on February 11, 2016.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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February 12, 2016

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7. In its Analysis of the Postal Service's FY 2014 Program Performance Report and FY 2015 Performance Plan, the Commission recommended that:

[T]he Postal Service include disaggregated delivery service performance measurements in its FY 2015 Report for time periods, geographic regions, or products in cases where the overall service performance indicator result fails to meet the FY 2015 target, yet the disaggregated delivery service performance results show service performance met or exceeded FY 2015 targets.³

Please refer to the Deliver High-Quality Service performance indicators listed on page 14 of the FY 2015 Annual Report. For each performance indicator, please explain whether the Postal Service met its performance targets in any geographic region (e.g., postal district or area) during FY 2015.

RESPONSE:

For Single-Piece First-Class Mail, four districts met the performance target for Overnight performance in FY15, and two districts met the performance target for Two-Day performance. No districts or areas met the target for Three-to-Five-Day service for the year.

For Presort First-Class Mail, 17 districts and one postal area met the performance target for Overnight performance in FY15, and 8 districts met the performance target for Two-Day performance. No districts or areas met the target for Three-to-Five-Day service for the year.

For First-Class Composite, no districts or areas met the target for FY15.

³ Docket No. ACR2014, Analysis of the Postal Service's FY 2014 Program Performance Report and FY 2015 Performance Plan, July 7, 2015, at 22.

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For Standard Mail Composite, 34 districts and 2 postal areas met the target for FY15.

The Excel workbook CHIR.9.Q7.Attachment.xlsx attached to this response electronically contains the supporting data.

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8. The Postal Service observes that 2-Day and 3-5 Day service performance for Single-Piece First-Class Mail was impacted by “[t]he ongoing growth in package mail [which] resulted in continual balancing between air and surface networks.” FY 2015 Annual Report at 15.
- a. Please explain how the balancing between air and surface networks impacted the Postal Service’s ability to meet its service performance targets. In its response, the Postal Service should also explain how such network balancing activities relate to the air capacity constraints discussed in its response to question 19 of CHIR No. 2.⁴
 - b. Please provide data and supporting workpapers that quantify the impact of the network balancing activities on service performance results (e.g., the percentage decrease in service performance attributable to network balancing activities).
 - c. Please explain what actions the Postal Service is taking to mitigate the effect of such network balancing activities on service performance results.

RESPONSE:

- a. The determination of what network (air or surface) mail travels is based on time and distance. If the Postal Service has air volumes that exceed air capacities then alternative mode of transportation must be found. Every attempt is made to mitigate any service impacts. In 2015 we exceeded the demand that our air network partners could commit to carry. In order to accommodate the volume, analysis and decisions were made to shift mail from the air network to move on surface transportation.
- b. No such data are available.

⁴ Responses of the United States Postal Service to Questions 15-26 of Chairman’s Information Request No. 2, January 19, 2016, question 19 (Response to CHIR No. 2).

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c. Beginning in 2016, new contract parameters were put in place with our partner air networks to ensure we received the extra needed capacity. In addition, we worked with alternate air suppliers for supplemental capacity.

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9. The Postal Service observes that overall service performance was impacted by the implementation of "major changes to create efficiencies in processing that resulted in complement shifts [that] initially impacted our ability to achieve the targets." Response to CHIR No. 2, question 19.
- a. Please describe each of the major changes that were implemented to create efficiencies in processing and explain how they resulted in complement shifts. In the explanation, please also clarify the meaning of the term "complement shifts."
 - b. Please provide data and supporting workpapers that quantify the impact of complement shifts on service performance results (e.g., the percentage decrease in service performance attributable to complement shifts).
 - c. Please explain what actions the Postal Service is taking to mitigate the effects of complement shifts on service performance results.

RESPONSE:

The statement quoted in the question appears on page 15 of the FY 2015 Annual Report, rather than in the response to Question 19 of ChIR No. 2.

- a. In this context, the term "complement shifts" refers to employees bidding for different positions within the organization. The major efficiency-creating changes referenced were those associated with the realignment of the processing network. The total complement shift in FY15 Quarters 2 and 3 was 22,490 mail processing career bid positions, compared to 9,563 in the same quarters in the prior year.
- b. We do not have a mathematical way to quantify the impact of complement shift disruptions on service performance.
- c. By the end of FY2015, the complement shifts had returned to normal levels.

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10. In Docket No. ACR2014, the Postal Service stated that “[d]uring FY2015, the performance measures for Presort First-Class Mail and for Standard Composite will change.”⁵ For the FY 2015 Presort First-Class Mail performance measures, the Postal Service explains that the change “may affect the comparability between FY2014 and FY2015 results....” March 25 Response to CHIR No. 14, question 1. In its Annual Report on Service Performance for Market Dominant Products, the Postal Service confirms that “[i]n FY 2015 the First-Class Mail Presort flats measurement was performed using the full service Intelligent Mail approach,” and that “the use of proxy data from [the External First-Class Measurement System (EXFC)] to measure presort flats was discontinued.”⁶
- a. Please explain whether the use of Intelligent Mail data for Presort First-Class Mail Flats (versus the use of proxy data from the EXFC) had any impact on the FY 2015 Presort First-Class Mail (Overnight, 2-Day, and 3-5-Day) and First-Class Mail Composite performance results. Include a quantification accompanied by supporting workpapers, of any impacts discussed (e.g., the percentage change in service performance attributable to the use of the new data).
 - b. Please discuss whether the FY 2015 results for the Presort First-Class Mail (Overnight, 2-Day, and 3-5-Day) and First-Class Mail Composite performance measures are comparable to the results from FYs 2012 through 2014. If the results are not directly comparable, please explain how the FY 2015 results can be compared with the results from prior fiscal years.

RESPONSE:

a. The impact of using Presort First-Class Mail flats in the Presort First-Class Mail scores and as part of the First-Class Composite results instead of the proxy EXFC Flats scores was fairly minimal. For Presort First-Class Mail with Overnight Service Standard, the national score would have been 0.03 point higher than the 95.74 score published if

⁵ Docket No. ACR2014, Responses of the United States Postal Service to Questions 1, 4-5, and 8 of Chairman's Information Request No. 14, March 25, 2015, question 1 (March 25 Response to CHIR No. 14).

⁶ Library Reference USPS-FY15-29, PDF file “Service Performance ACR FY15.pdf,” December 29, 2015, at 8 (Annual Service Performance Report).

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EXFC flats were used as the proxy. Similarly, the Two-Day national score would have been 0.01 point higher than 93.56. Larger differences were observed for Three-to-Five-Day service standard mail; the published national score of 87.78 was 0.20 point higher than the result with EXFC flats as proxy. While the impact on district and area scores varied, the changes ranged between -0.61 and 0.35, with simple average changes of -0.04 for Overnight, -0.01 for Two-Day and 0.20 for Three-to-Five-Day across all the geographies. Detailed information to support these data can be found in the Excel workbook CHIR.9.Q10.Attachment.xlsx attached to this response electronically.

Regarding the First-Class Mail composite results which combine both Single-Piece and Presort First-Class Mail across service standards, the impact of the change would be even lower than described for Presort First-Class Mail above. Presort Flats represented approximately 1.5 percent of Presort First-Class Mail and less than 1 percent of total First-Class Mail in FY15, which limits the impact that any differences in performance might have on the overall First-Class Mail composite score.

b. The results for Presort First-Class Mail (Overnight, 2-Day, and 3-5-Day) can be compared between the fiscal years of 2012 to 2015. Regarding the First-Class Mail Composite scores, they are also comparable across years since each mailpiece is measured against the applicable service standard for measurement. However, it may be useful to understand that more mail fell into Two-Day and Three-to-Five-Day service standard categories in FY2015 than in prior years.

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11. For the FY 2015 Standard Composite performance measure, the Postal Service explains that Every Door Direct Mail – Retail (EDDM – Retail) data would be included and that “its inclusion...may impact the comparability of service performance results for FY2014 and FY2015.” March 25 Response to CHIR No. 14, question 1. In its Annual Report on Service Performance for Market Dominant Products, the Postal Service confirmed that it “implemented the measurement process for [EDDM – Retail].” Annual Service Performance Report at 13.
- a. Please explain whether the inclusion of the EDDM – Retail data impacted the overall FY 2015 Standard Composite performance results. Include a quantification, accompanied by supporting workpapers of any impacts discussed (e.g., the percentage change in service performance attributable to the inclusion of the new data).
 - b. Please discuss whether the overall FY 2015 Standard Composite performance results are comparable to the results from FYs 2012 through 2014. If the results are not directly comparable, please explain how the FY 2015 results can be compared with the results from prior fiscal years.

RESPONSE:

a. Actual events unfolded somewhat differently than anticipated in the Postal Service's March 25, 2015 response to Question 1 of ChIR 14 in Docket No. ACR2014. The inclusion of EDDM-Retail does not impact the overall FY2015 Standard Composite performance results reported in the Deliver High-Quality Service performance indicators on Page 14 of the FY2015 Annual Report. This Standard Mail Composite score is a combination of Standard Mail destination-entry for Sectional Center Facility (SCF) and for National Distribution Center (NDC) letters and flats. EDDM-Retail mail is entered at the destination delivery unit rather than the SCF or NDC, and, as such, is not part of this Standard Mail Composite reported in the FY2015 Annual Report. The service performance results for EDDM-Retail were provided to the Commission as part of the

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quarterly service performance results for Standard Mail and were included in the Annual Compliance Report.

b. The results for the Standard Composite performance can be compared across the two years for which the results were reported, FY2014 and FY2015 as there were no methodological changes to the calculations in these two years. Service standards for Destination SCF Rate Standard Mail were changed effective April 10, 2014. These changes extended the service standard for Standard Mail accepted on Friday and Saturday by one day. For fiscal years of 2012 and 2013, similar Standard Mail Composite scores were not reported.